

Internal Revenue Service

Number: **201531014**

Release Date: 7/31/2015

Index Number: 355.03-00, 368.04-00,
351.02-00

Department of the Treasury

Washington, DC 20224

Third Party Communication: None

Date of Communication: Not Applicable

Person To Contact:

, ID No.

Telephone Number:

Refer Reply To:

CC:CORP:B01

PLR-142820-14

Date:

April 30, 2015

LEGEND

Distributing Parent =

Distributing 1 =

Distributing 2 =

Distributing 3 =

Controlled 1 =

Controlled 2 =

Sub 1 =

Sub 2 =

Sub 3 =

FSub 1 =

FSub 2 =

FSub 3 =

DE 1 =

DE 2 =

DE 3 =

DE 4 =

DE 5 =

DE 6 =

PRS =

Acquiring =

Business A =

Business A1 =

Business A1a =

Business B =

Business B1 =

State A =

State B =

State C =

Country A =

Country B =

Country C =

Country D =

a =

b =

c =

d =

e =

f =

g =

h =

i =

j =

k =

l =

Dear :

This letter responds to your authorized representatives' letter dated November 13, 2014, requesting rulings on certain federal income tax consequences of a proposed transaction (the "Proposed Transaction"). The information provided in that request and in subsequent correspondence is summarized below.

The rulings contained in this letter are based upon facts and representations submitted by the taxpayer and accompanied by a "penalties of perjury" statement executed by an appropriate party. This office has not verified any of the materials submitted in support of the request for rulings. Verification of the facts, representations, and other information may be required as part of the audit process.

This letter is issued pursuant to section 6.03 of Rev. Proc. 2015-1, 2015-1 I.R.B. 1, regarding one or more significant issues under sections 332, 351, 355, 368, or 1036 of the Internal Revenue Code (the "Code"). The rulings contained in this letter only address one or more discrete legal issues involved in the transactions described herein. This Office expresses no opinion as to the overall tax consequences of these transactions or as to any issue not specifically addressed by the rulings below.

SUMMARY OF FACTS

Distributing Parent is a publicly traded State A corporation that is the parent of both a U.S. consolidated group (within the meaning of Treas. Reg. § 1.1502-1(h)) and a worldwide group of corporations (the "Distributing Parent Worldwide Group"). The Distributing Parent Worldwide Group operates several distinct business segments, including Business A and Business B. In turn, Business A and Business B are comprised of several business lines, including Business A1 and Business B1, respectively.

Distributing Parent wholly and directly owns Distributing 1, a State A corporation. Distributing 1 directly owns a percent of the stock of Sub 1 (a State A corporation), b percent of the stock of Distributing 2 (a State A corporation), and c percent of the stock of FSub 1 (a Country A entity that is treated as a corporation for U.S. federal income tax purposes). Other members of the Distributing Parent Worldwide Group own d percent

of the stock of Sub 1, and Sub 1 owns the remaining e percent of the stock of Distributing 2. In turn, Distributing 2 wholly and directly owns DE 1 (a State A limited liability company that is disregarded as an entity separate from Distributing 2 for U.S. federal income tax purposes). DE 1 directly owns all of the stock of Distributing 3 (a Country A entity that is treated as a corporation for federal income tax purposes) and the remaining f percent of stock in FSub 1.

Distributing 3 owns a g percent interest in PRS, a Country A arrangement that is treated as a partnership for U.S. federal income tax purposes. FSub 1 owns the remaining h percent interest in PRS. PRS wholly and directly owns DE 2, which wholly and directly owns DE 3; each of DE 2 and DE 3 is a Country A entity that is disregarded as an entity separate from its owner for U.S. federal income tax purposes. After a series of internal distributions intended to qualify as distributions under section 355 that will occur prior to the transactions described herein, PRS also will wholly and directly own Controlled 1 (a state A limited liability company that will elect to be treated as a corporation for U.S. federal income tax purposes prior to such internal distributions).

Distributing 1 also wholly and directly owns Sub 2 (a State B corporation). Sub 2 directly owns more than i percent of the issued and outstanding stock (by vote and value) of Sub 3 (a State A corporation), which wholly and directly owns DE 4 (a Country B entity that is disregarded as an entity separate from its owner for U.S. federal income tax purposes), which wholly and directly owns FSub 2 (a Country C entity that is treated as a corporation for U.S. federal income tax purposes). FSub 2 wholly and directly owns DE 5 (a Country C entity that is disregarded as an entity separate from its owner for U.S. federal income tax purposes).

Distributing 1 also wholly and indirectly owns FSub 3 (a Country D entity that is treated as a corporation for U.S. federal income tax purposes), which wholly and indirectly owns DE 6 (a Country D entity that is disregarded as an entity separate from its owner for U.S. federal income tax purposes).

FSub 2 is engaged in Business B1, and DE 6 is engaged in Business A1a (part of Business A1). Pursuant to the transaction steps described below, Controlled 1 will be directly and indirectly engaged in Business A1.

PROPOSED TRANSACTION

Distributing Parent is entering into the Proposed Transaction in order to facilitate the acquisition of Business A1 by Acquiring. The relevant steps of the Proposed Transaction, which comprise part of a larger transaction, are set forth below:

- (i) Distributing 1 will contribute its c percent interest in FSub 1 directly to DE 1 pursuant to a cause-to-be-directed agreement whereby (a) Distributing 2 will issue shares of Distributing 2 stock to Sub 1 that are equal in value to the c

percent interest in FSub 1, and (b) Sub 1 will issue shares of Sub 1 stock to Distributing 1 that are equal in value to the c percent interest in FSub 1 (the “Cause-to-be-Directed Transactions”).

- (ii) DE 1 will contribute its j percent interest in FSub 1 to Distributing 3 in exchange for additional Distributing 3 stock. FSub 1 then will elect to be disregarded as an entity separate from Distributing 3 effective at least two days after the contribution. DE 1’s contribution of the FSub 1 stock to Distributing 3, followed by FSub 1’s election to be disregarded as an entity separate from Distributing 3, are intended to qualify as an acquisitive reorganization under section 368(a)(1)(D) (the “FSub 1 Acquisition”). As a result of the FSub 1 Acquisition, Distributing 3 will be treated as the sole owner of PRS for U.S. federal income tax purposes, and PRS will be treated as terminating.
- (iii) Sub 3, through one or more disregarded entities, will contribute the stock of FSub 2 to a newly formed entity that will be treated as a corporation for U.S. federal income tax purposes (“Newco 1”), and FSub 2 will elect to be treated as an entity disregarded as separate from Newco 1 for U.S. federal income tax purposes. Newco 1 then will contribute FSub 2 to a newly formed entity (“DE 7”) that will elect to be disregarded as separate from Newco 1 for U.S. federal income tax purposes.
- (iv) DE 3 will form a new entity that will be treated as a corporation for U.S. federal income tax purposes (“Newco 2”), which will acquire FSub 2 from DE 7 (the “Business B1 Purchase”). After the Business B1 Purchase, Business B1 (excluding any Business B1 assets held by DE 5) will represent approximately k percent of the total assets of Distributing 3.
- (v) Controlled 1, through members of its separate affiliated group (within the meaning of section 355(b)(3)(B)) (“SAG”) and through entities disregarded as separate from members of its SAG, will purchase from one or more members of the Distributing Parent Worldwide Group, directly or indirectly, all of the assets, employees, operations, and goodwill and other intangibles comprising Business A1a conducted by DE 6 (the “Business A1a Purchase”). After the Business A1a Purchase, Business A1a will represent approximately l percent of the total assets of Controlled 1.
- (vi) PRS will distribute Controlled 1 to Distributing 3 in a transaction that will be disregarded for U.S. federal income tax purposes.
- (vii) In a transaction intended to qualify as a distribution under section 355, Distributing 3 will distribute Controlled 1 to DE 1, which will distribute Controlled 1 to Distributing 2 (the “First Distribution”).

- (viii) In a transaction intended to qualify as a distribution under section 355, Distributing 2 will distribute Controlled 1 to Distributing 1 in redemption of a portion of the Distributing 2 shares directly held by Distributing 1 (the “Second Distribution”).
- (ix) In a transaction intended to qualify as a distribution under section 355, Distributing 1 will distribute Controlled 1 to Distributing Parent (the “Third Distribution”).
- (x) Controlled 1, through members of its SAG and through entities disregarded as separate from members of its SAG, will purchase additional Business A1 assets from members of the Distributing Parent Worldwide Group.
- (xi) After a series of internal distributions intended to qualify as distributions under section 355, Distributing Parent will wholly and directly own Controlled 2 (a State C corporation).
- (xii) Distributing Parent will contribute the stock of Controlled 1 and Controlled 2 to a newly formed entity that will be treated as a corporation for U.S. federal income tax purposes (“Controlled 3”), and Distributing Parent will either (i) distribute, on a pro rata basis, all the stock of Controlled 3 to Distributing Parent’s public shareholders, or (ii) offer to Distributing Parent’s public shareholders the right to exchange currently outstanding shares of Distributing Parent stock for Controlled 3 stock in a transaction intended to qualify as a reorganization under sections 355 and 368(a)(1)(D).

RULINGS

- (1) For purposes of applying section 351, the Cause-to-be-Directed Transactions will be treated as if (a) Distributing 1 transfers its c percent interest in FSub 1 to Sub 1 in exchange for Sub 1 stock, and (b) Sub 1 transfers the c percent interest in FSub 1 to Distributing 2 in exchange for Distributing 2 stock, in transactions separate from the FSub 1 Acquisition. See Rev. Rul. 2003-51, 2003-1 C.B. 938; Rev. Rul. 77-449, 1977-2 C.B. 110.
- (2) With respect to the First Distribution, the Second Distribution, and the Third Distribution, as applicable, the relative fair market value of the gross assets of Business A1a (as compared to the fair market value of all gross assets of Controlled 1), and the relative fair market value of the gross assets of Business B1 formerly held directly by FSub 2 (as compared to the fair market value of all gross assets of Distributing 3 or Distributing 2, as applicable), will not prevent Business A1a or Business B1 from qualifying as an active trade or business for purposes of section 355(b).

CAVEATS

Except as expressly provided herein, no opinion is expressed or implied concerning the tax treatment of the Proposed Transaction under any provision of the Code or the regulations promulgated thereunder or the tax treatment of any condition existing at the time of, or effects resulting from, the Proposed Transaction that is not specifically covered by the above rulings.

PROCEDURAL STATEMENTS

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representatives.

Sincerely,

Russell G. Jones
Senior Counsel, Branch 1
Office of Associate Chief Counsel (Corporate)